PHILADELPHIA'S
SYSTEM OF LOANS

AN ADDRESS BEFORE

The Pennsylvania Bankers' Association

BY

J. HAMPTON MOORE

CITY TREASURER

HORTICULTURAL HALL

PHILADELPHIA, SEPTEMBER 24th, 1902

EXHIBITS:

A—Comparative Interest Payments for Thirty Years
B—Tax Rate Since Consolidation . . . . .
C.—Distribution of Taxes Itemized and Compared

Compliments of

J. HAMPTON MOORE

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PHILADELPHIA'S SYSTEM OF LOANS.

Mr. President, Gentlemen of the Convention:

Philadelphia is a municipal business corporation. The nucleus of the business was formed by cave-dwellers on the hills of the Delaware, but their operations were of a desultory character until the arrival of William Penn in 1682. Under a grant of land from the King of England—"grant" being a term somewhat akin to the less euphonious "franchise"—Penn proceeded to organize the business. He issued a charter to certain "humble" forefathers of ours, under which, in 1701, they began to trade under the name of "The Mayor and Commonalty of Philadelphia in the Province of Pennsylvania." They laid out grounds, raised revenue, constructed buildings, made extensions and improvements to their plant, paid wages, imposed penalties and proceeded, with ordinary business vicissitudes, until the Revolutionary War. Then they suffered reverses. William Penn had indicated how the business should be conducted, he had mapped out a policy for future generations under Royal favor, but his friends in the directorate were overthrown and a reorganization was effected in 1789 under a charter obtained

from a new sovereign—the Commonwealth of Pennsylvania. Business was resumed under the corporate name of "The Mayor, Aldermen and Citizens of Philadelphia," and continued, with numerous branches which came to be known as "Liberties," until 1854, when the existing corporation, trading under the name of "The City of Philadelphia," was formed. In 1885, for reasons deemed best for the business, the city charter was amended by an Act of the Legislature, known as the "Bullitt Bill," so that the corporate business of the City of Philadelphia, in one form or another under varying policies, has stood the test of civic endurance upward of two centuries.

GROWTH OF CITY BUSINESS.

Like every other business, whether private or corporate, it has enjoyed its periods of prosperity and suffered its periods of depression. There have been heavy gains and there have been great losses. The business has endured the Indian and the slave; it has suffered at the hands of the pirate; it has withstood fires, failures and epidemics; great panics, shaking the heart of the financial world, have come and gone; "wars and rumors of wars" have drained the treasury and checked the city's progress, but the business has gone on: it has grown, it has enlarged, it has expanded, until "the little acorn" of the primeval forest has attained the proportions of "the mighty oak" of assured municipal success. The shareholders have increased from the scattering few whom Penn selected to 1,300,000 free and vigorous people who know their rights and speak their minds. The property resources have grown from paltry market-houses, vacant

lots and stagnant pools to highways, sewers, bridges and buildings, waterways, parks, works, appliances, public comforts and conveniences and rich and varied assets, amazing in the extent of their worth and usefulness.

And how has this been done? Evolution, possibly, and yet a careful reading of the city's history, a study of the struggles of the early managers to make both ends of the business meet, the inevitable pressure at the close of the year to settle the books with a balance in the treasury, show that the borrowing of money over and above the current receipts and expenditures was the one enemy of stagnation and decay and the absolute essential to the growth and development of the plant. When revenue derived from a business is no greater than the expenditures, the volume of business is necessarily restricted, and so it was with early Philadelphia. Needs beyond the ordinary were constant and recurring, and expedients of many kinds were tried to keep the business on its feet. At times the now illegal lottery served to raise funds to build wharves; or wealthy citizens made advances for paving streets in front of their own houses; but what has become known as the "Loan System" was not fairly attempted until 1799. The business had then been operated under both charters nearly a hundred years.

EARLY DISADVANTAGES.

The city proper was confined to the Delaware and Schuylkill rivers and what we now call Vine and South streets. It had been the seat of government of the city, the State and the United States, and was the real metropolis of the nation. The rich mer-

chants lived here, and here was the center of commerce. Here Robert Morris, the great financier of the Revolution, joined with other citizens in supporting the Continental Army, and here Stephen Girard was building that tremendous fortune which afterward proved "a veritable godsend" to the welfare of the city. Business men were recovering from the effects of the Revolutionary War, but men were still put in jail for debt and the mechanic was still designated in public by his apron. The public school was not thought of, and children educated at public expense were classed as paupers. What fire companies existed were voluntary. The high constable still carried his mace as a warning to evil-doers in the daytime and the night watchman, bearing his antique lantern, cried the hours. What little stone paving was done was sometimes pitched to carry off the water. The streets were lumbered with cordwood, for coal was unknown; railroads and steamboats were only creatures of the imagination. The stage coach and the Conestoga wagon were favorite means of conveyance, and batteaux and barges, propelled by hand, were used at the ferries. The city had no gas, no electricity, no telegraph, no telephone, no great engines for the utilization of power, no turbine wheels or water works, but it did have pumps. And to pumps, perhaps, more than to any other asset of the business of our forefathers, we are indebted for the present loan system. Aye, to pumps, also, we must recur in any dissertation upon that troublesome and inevitable contemporary of the loan system—the question of providing and keeping provided for a great and growing population—a wholesome and sufficient water supply.

FIRST LOAN FOR PURE WATER.

The pumps of Philadelphia had done good service. They had stood "for man and beast" for many years, but owing to the pollution of Dock creek and other contaminations, the souree of the pump supply was supposed to have become a menace to public health. An epidemic of yellow fever broke out and 12,000 deaths, it was estimated, had oecurred before the close of 1798. The business of supplying pure water then became a crying necessity. It had been agitated by Benjamin Franklin, who left a fantastieal provision in his will for bringing the supply from Wissahiekon creek, but the scourge foreed the demand to a erisis. It was determined by Couneils to borrow. On February 7, 1799, an ordinance was passed "providing for the raising of a sum of money, on loan, for supplying the city of Philadelphia with wholesome water." It was the first practical move for development beyond the limitations of revenue by taxation. The ordinanee was cleverly drawn,—for indeed the lawmakers of those days were adepts in the correet use of language,—and its phraseology in the main stood a model for all subsequent legislation of the kind. It proposed to borrow $150,000. And oh, ye bankers of the three-and-a-half-per-cent. era, hearken to the inducements of our patriotie and conservative progenitors! First of all, the loan was deelared to be "essential to the health and preservation of this city;" next, the commissioners to negotiate it were eomposed of foremost eitizens, including Edward Tilghman, Jared Ingersoll, Stephen Girard, Jesse Waln, John Inskeep and seven others. Then books were to be opened for 15,000 shares at $100 eaeh, and there was to be a report of

subscriptions in thirty days. Ten dollars per share was to be paid at subscription and thirty dollars each at the expiration of two, four and six months. Six per cent. interest was to be paid and every subscriber of $100 was to have water delivered free to one house for three years. As the rate of water rent was afterwards fixed at five dollars per annum, the lender of $100 received a rebate of fifteen dollars in addition to his six per cent. The public was to be given free use of conduits emptying into the streets. The Mayor of the city, Robert Wharton, was directed to pledge for the redemption of the loan everything the city possessed, except the bridge at High street.

But with all these inducements the sale of the loan was unsatisfactory. Up to June 27, 1799, according to the original records, only $37,025 had been subscribed. Subsequent payments were: September 6, 1799, $16,270; January 4, 1800, $11,130. There were scattering payments until October 8, 1800, and an entry of $260 "recovered by law."

IMPEDIMENTS TO PROGRESS.

It is clear, also, that commissions of one kind or another were allowed and deducted for the promotion of the loan. The discouraging tendency of this experiment, and the serious fact that, *in anticipation of its success,* contracts had been entered into and work commenced upon the plan to erect pumps at Fairmount and conduct the water through wooden pipes to a reservoir on the site of the present City Hall, induced Councils to pass another ordinance, August 5, 1799, admitting the inefficiency of the former and directing the Mayor to borrow $50,000

in anticipation of taxes. The Mayor was authorized "to pledge, mortgage or assign the tax money, if necessary; the Treasurer was directed to carefully scan the tax lists, and preparations generally were made for a vigorous campaign against delinquents, who, in those days, were liable to imprisonment. This was only a century ago—a period of municipal history now enveloped in the halo of venerable and patriotic respectability—and yet "so near," we still may find a vein of human selfishness in the loan's delay, for the Government of the United States had issued bonds at eight per cent., two per cent. in excess of the legal rate in Pennsylvania; the public was apprehensive that steam engineering was too doubtful an experiment to be applicable to water works, and, more significant still, the attitude of "the stockholders of the Schuylkill and Delaware Canal, whose charter granted to them the liberty of watering the city," "opposed the project at every step, by petition to the Legislature and by their influence in the city and in Councils."

"SUPPLEMENTAL" WORK A NECESSITY.

For the purposes of this address the history of this loan need not be traced farther than to say the members of the first Water Commission were put to such straits they advanced their own money and borrowed from the Bank of the United States to meet the obligations they had incurred. The original $150,000 was ultimately forthcoming, but it did not pay for the improvement. There was "supplemental" work to be done, and before the system was put in thorough working order, although the alterations and additions extended over a period of years

at heavy expense for the money borrowed, the total cost had measured close to $700,000. Then, as happens with most business plants, the works became unserviceable and had to be remodeled and reconstructed—a matter "of wear and tear," as it were, which had to be repeated again in 1830, when wooden pipes were giving way to iron, and when the distribution was growing larger and more expensive. By this time the approximate cost of the works had risen to $1,500,000.

Having thus, through the first water loan, launched the general loan system of Philadelphia, it is in order to briefly note its progress. The inception of the system was due to a municipal demand for it. The water of the city was coming from pumps and was impure. The successful pursuit of municipal business required a better supply. Current revenues were insufficient to cover permanent or extraordinary improvements. The only way to have the work done was to borrow the money needed. There were difficulties, as have been seen; the money, however, was borrowed and the work completed.

For a hundred years the city corporate had the use and revenue of the property thus acquired. It had performed its service and returned its earnings; it wore out, only to be replaced by a larger and better plant, but all the while its value as an asset increased as its utility increased and as its power to produce developed.

MUNICIPAL EFFORT AT EXPANSION.

The story of the first loan is a story of municipal effort in the line of public expansion. It was followed by other loans

and by legislation affecting loans, which produced a marked effect upon municipal activity. One of the most persistent methods was the borrowing in anticipation of next year's taxes, to cover deficiencies in current expenses. For many years succeeding 1800, the Mayor almost regularly each year was authorized by Councils to borrow—always at six per cent.—to settle the bills of the current years. These were borrowings that had nothing to do with permanent improvements; they were makeshifts pure and simple; sometimes temporary, sometimes permanent. They were freely accepted, at the Mayor's pleasure, from banks or individuals, without advertisement.

In 1805 a water loan of $35,000, at six per cent., was offered to subscribers at a discount of two per cent. for payments in full. Councils were willing to sell the loan at par, on installments. But the question of loan was growing and the propriety of regulating it was impressing itself upon the lawmakers, for in 1807, when $80,000 was to be raised by taxation for the annual appropriations, Councils decided that $18,000 asked for, being for "permanent improvements," ought rather to be borrowed than raised by taxation. It was held that taxes and corporate income should be applied to the management of the business, and that if the city intended to branch out, it must raise the money on loan. This, perhaps, was the first official line of demarcation. To emphasize it, Councils authorized a loan of $50,000 to take up loans by the Banks of Pennsylvania, Philadelphia and North America, and to enable the introduction of the "permanent improvements" referred to, as follows:

"Repairs and improvements of engine and engine-houses,

$9,000; meeting payments due on gravel lots purchased, $4,155; further distributing Schuylkill water and repairing the water pipes, $4,845; total, $18,000"—items which do not seem to justify the "permanent" character of the improvements, nor yet to show that modern "pruning" by Councils, or "the finding of money," was wholly unknown to our lamented legislators of 1807.

DEVELOPMENT OF THE SINKING FUND.

Out of the financial manipulations of these times, however, sprang a feature of the loan system which has come to be its prop and mainstay—the Sinking Fund. After raising the $80,000 in 1807, and increasing the sum available through "cordage and wharfage" to $88,000, the appropriations were made with this proviso: "The sum of $5,000 being first taken thereout and carried to a Sinking Fund." The ordinance providing for the $50,000 loan of 1807 also provided for sealed proposals and anticipated a premium which was to go to the Sinking Fund. At this time, in addition to the bank loans, the outstanding water loans amounted to $210,000. The ordinance creating the Sinking Fund declared it to be "desirable that the reduction and payment of the debt due from the City of Philadelphia should be effected as speedily as circumstances will permit," and provided for an annual appropriation of $5,000 "out of the annual income of the corporate estates of the citizens of Philadelphia," to be applied "to the purchase and redemption of the several shares of stock constituting the funded debt of the city."

Here, then, we have the beginning of a coördinate branch of the loan system which substantially governs it to-day. For

many years the Sinking Fund worked out its destiny, sometimes under disadvantages and subject to legislative changes, but always acceptably, in so far as provision enabled it, for the gradual extinguishment of the public debt. Loan now followed loan with systematic regularity, provision always being made in the creation thereof for redemption through the Sinking Fund. The purposes for which these loans were created during the half century following 1800 are now mere matters of detail. They included the extension of the water supply, defenses in the War of 1812, the paving of streets and footways, the building of market-houses, which were a source of considerable revenue to the city, the purchase of canal and railroad stock, which was then permissible, the buying up of Schuylkill water rights and many other purposes long since obliterated or still in public service.

LOAN SAVES THE STATE HOUSE.

Through the loan system, still bearing its burden of six per cent., the venerable State House and grounds were saved to the city in 1816. The Legislature gave the city the option of taking the property at $70,000. Otherwise it was to be sold, the clock was to be forwarded to the State Capitol at Harrisburg and Independence Square was to be cut up into building lots to realize $150,000. The city borrowed the $70,000, because it had not the ready money, and the certificates of loan ran until 1846. In 1818, to encourage the Schuylkill Navigation Company, the treasurer of the city was authorized to buy five hundred shares of the stock of the company, and, if necessary, to sell therefor stock previously taken of the Schuylkill Permanent Bridge Com-

pany. In 1818 a loan of $70,000 was authorized to lay iron pipes for distributing water, the income of the city and water rents being pledged for its redemption, and in 1819 $150,000 was authorized to pay Josiah White and Joseph Gillingham for "all their rights to the use of the water power of the river Schuylkill above, at and below the Falls." At the same time an additional $200,000 was authorized to build "a dam, locks, mill race and houses and other works at or near Fairmount." The next year (1820) $90,000 was authorized "to pay off temporary loans, including cost of Fairmount ground" taken for water works purposes. In this way the municipal debt continued from year to year as the spirit of assertiveness and progress gradually unfolded.

GAS WORKS REQUIREMENTS.

As there had been demand for a better water supply in 1799, there culminated in 1835 a demand for better light. Candles and oil had been in use from William Penn's time, and though the project was fought by the timid and conservative, an ordinance was passed, March 21, for a loan of $100,000 "for the construction and management of the Philadelphia Gas Works." Here, indeed, was a fruitful field for the loan business. Started almost as a private corporation, the Trustees of the Gas Works, by making extensions, showing and dividing profits and for a time controlling their own Sinking Fund, occupied a singular position to the municipality, and especially with regard to loans. Their first loan certificates, issued at $100, were to be sold on installments and, in addition to interest, yield "a dividend of the profits arising from the manufacture and sale of gas."

They were to run the works, the City Treasurer was to keep the funds and the city was to get three hundred lamps at half price, which at that time was $2.50 per thousand cubic feet. The year following more money was needed on loan, and provision was made for a reserve of eight per cent. of the earnings of the works to pay interest and Sinking Fund before any dividend was paid to stockholders.

The Trustees managed the business on a semi-detached plan until 1841, when the city concluded to take direct charge. The Trustees were continued, but the Sinking Fund which had protected the stockholders had to be taken over by a loan issue at five per cent., redeemable in twenty years. A distribution of $48,000 for this purpose was directed. As loans were asked for, the price of gas naturally became an issue, and the ordinances frequently stipulated the number of lights the city was to get and also threw an occasional sop to consumers. In 1844 the city paid for public lamps $1.75 a thousand feet, with a five per cent. discount, and private consumers were looking forward to a reduction in the rate to $2 per thousand feet. The reductions promised were more pronounced after the city took possession, however, than during the dividend-producing period before.

BORROWED TO BUY RAILROAD STOCK.

The gradual encroachment of New York upon the commercial prestige of Philadelphia, the construction of canals and railroads for the control of Western and Northern trade and the bright future of that great modern developer, the Pennsylvania Railroad, induced the passage under legislative sanction,

November 12, 1846, of an ordinance "to authorize a subscription on the part of the city to the capital stock of the Pennsylvania Railroad Company, and to provide for the payment of the installments thereon." This remarkable measure referred to the loss of Philadelphia trade, to the necessity of railroad connection with the Ohio river and the great lakes, and declaring it to be the "duty of the corporate authorities to stimulate private enterprise in the present emergency," ordained that the Mayor should borrow $2,500,000 in thirty years' series, to make good subscriptions authorized to 50,000 shares of stock. The conditions were that 30,000 shares should be taken when others took an equal number; that 10,000 should be taken, when duplicated, on the completion of 100 miles of railroad, and that the remaining 10,000 shares should be taken when duplicated and when 125 miles of road were completed and in use. This was one of the notable obligations of the loan system, and yet it was so managed that succeeding generations up to and following the Centennial year were systematically redeeming it without knowledge, apparently, of its existence.

THE CONSOLIDATION OF 1854.

When, in 1854, less than fifty years ago, the Pennsylvania Legislature passed an act consolidating as the "City of Philadelphia" the corporation known as the "Mayor, Aldermen and Citizens of Philadelphia" and all the "Liberties," districts, boroughs and townships in the county of Philadelphia, it anticipated modern business tendencies. In addition to the old city proper, there were then brought into the corporation the rival districts

of Southwark, Northern Liberties, Kensington, Spring Garden, Moyamensing, Penn, Richmond, West Philadelphia, Belmont; the boroughs of Manayunk, Germantown, Frankford, Whitehall, Bridesburg and Aramingo, and the townships of Passyunk, Kingsessing, Blockley, Roxborough, Germantown, Bristol, Oxford, Lower Dublin, Moreland, Byberry, Northern Liberties, Delaware and Penn. There were also certain boards and commissions which were taken into the concern. All these districts, townships and boroughs had been operating under separate authority. Many of them were bitter rivals for supremacy; frequent bickerings resulted from their lack of cohesiveness, and much expense was needlessly incurred because of their inability to stand one with the other. Fire and police protection was uncertain, selfish and unsatisfactory, and the introduction of water and gas was a constant "bone of contention." The spirit of reform mingled with the spirit of enterprise in effecting their consolidation. The merger of such large interests, in Morganic parlance, would doubtless pass as "a combine" or a "trust," but in 1854, in the nomenclature of the Legislature, it was a "consolidation," and a consolidation intended to secure reduced taxation and greater conveniences for the people, by a policy of centralization, retrenchment and economy. The new corporation, "the City of Philadelphia," took all the property and assumed all the debts of all combined concerns, much of which debts in advance of final settlement were incurred for local purposes by the incoming partners. The aggregate indebtedness, when the new city—the present city—began business was, approximately, $17,000,000.

THE LAW OF CITY LOANS.

There were several provisions in the Act of 1854 which tended to regulate and improve the management of fiscal affairs. Section 10, presenting the duties of the City Treasurer, required that—

"No money shall be drawn from the treasury of the city except the same shall have been previously appropriated by Councils to the purpose for which it is drawn." And the City Controller was charged to permit no appropriated item to be overdrawn. These provisions tended to keep the expenditure of loan and other moneys in check; but the most wholesome and important clause affecting loans was this:

"No debt shall be incurred, or loan made by the said city, without a contemporaneous appropriation of a sufficient annual income or tax, exclusive of loans, to pay the interest and sink the principal of such debt in thirty years."

This is still the law in Pennsylvania, having been ratified by the Constitution, and in Philadelphia, at least, no loan of a permanent nature has since been authorized for the redemption of which provision out of the annual tax levy, in thirty years or less, has not been made.

POWER TO BORROW LIMITED.

The Constitution of 1874 also tightened the reins upon the loan system by holding the limit of the city's borrowing capacity down to seven per cent. of "the assessed value of the taxable property therein," and provided further,

"Nor shall any such municipality or district incur any new debt, or increase its indebtedness to an amount exceeding two

per centum upon such assessed valuation of property, without the assent of the electors thereof at a public election in such manner as shall be provided by law."

PAY-AS-YOU-GO POLICY.

Another step in the process of regulating and controlling the finances of to-day was taken by the Legislature in 1879, when an Act was passed requiring Councils to levy a tax rate in conformity with the City Controller's annual estimate of receipts and liabilities for the next fiscal year, which, with the income from other sources, shall

"Be set apart for the extinguishment of the floating indebtedness other than that which may be outstanding at the passage of this Act, * * * for the payment of all lawful obligations due by the city * * * and for such expenses of the municipal government as may be authorized by Councils, * * * and the City Controller shall not countersign any warrants (except for payments of interest and for Sinking Fund) pertaining to any of the appropriations, until the said Councils shall have first passed all appropriations necessary for the expenses for the current year of each department, board, commission or trust connected with said city; nor shall said officer countersign any warrants, except as aforesaid, until the total of all appropriations, all estimates and other lawful obligations shall have been brought within the sum yielded by the tax levy and average income from other sources."

This "pay-as-you-go" policy, applying as well to the expenditure of loan money as to the corporate income and sums raised

by taxation, is strengthened somewhat by the amended City Charter of 1885, under which, likewise, the powers of the Sinking Fund Commissioners are continued.

GUARDING THE SINKING FUND.

Briefly, therefore, we have the salient points of existing law bearing upon city loans, with this noteworthy exception, that whereas the consolidation Act of 1854 expressly declared that it "did not relieve the City of Philadelphia from engagements to subscribe to the stock of any railroads" and was not "to be construed as interfering with laws authorizing such subscriptions to be made by the City of Philadelphia," the Constitution of 1874, while supporting the Act of 1854 by this proviso: "Every city shall create a sinking fund, which shall be inviolably pledged for the payment of its funded debt," prohibited any further stock purchase or legislative interference therein by this:

"The General Assembly shall not authorize any county, city, borough, township or incorporated district to become a stockholder in any company, association or corporation, or to obtain or appropriate money for, or to loan its credit to any corporation, association, institution or individual."

When to these salutary restrictions are added the further constitutional provision that "no debt shall be contracted or liability incurred by any municipal commission except in pursuance of an appropriation previously made therefor by the municipal government," and that paragraph of Article VI. of the Act of June 1, 1885, providing that "no money shall be drawn from the city treasury except by due process of law, or upon warrants on the Treasurer signed by the head of the appropriate

department and countersigned by the Controller, which shall state the consideration of the same and the particular fund or appropriation to which the same is chargeable," the safeguards thrown about our municipal system of finance and loans are, in the main, presented.

Public money, and especially money raised by loan, cannot under Philadelphia laws and methods be secretly manipulated, nor can there be the slightest waste or misappropriation without the public knowing it.

CONDITIONS AT CONSOLIDATION.

If, then, we have the history and the law of loans, we may proceed to make comparisons and state results. At the time of the consolidation in 1854 the city took on all the property in the county of Philadelphia. What it was worth we need not attempt to estimate, but there was due upon it about $17,000,-000. One of the chroniclers of the times thought it was then "a fast and progressive age," and could not "sufficiently appreciate the coming future." He commented with wonder upon the introduction of steamboats and railroads; he was amazed at photography and telegraphy and the introduction of gas. Some of the marvels of the period were "newspapers at a cent apiece;" professional singers in churches; flagstone street crossings; ready-made clothing; restaurants were new and so was the appearance of a new disease among men—dyspepsia. The placing of letters in envelopes was such a new-fangled thing and so likely "to destroy the evidence of postmarks," that it was declared the courts would soon have to take cognizance of it. But the idea of having parcels sent home! What a strange de-

vice of the shopkeepers! Men were even beginning to delegate the household marketing to others. "Stores did not formerly have porters to carry parcels, and make fires and sweep, etc.," said Mr. Watson about 1854. "That was done by the apprentice merchant. Boys are far prouder now than they used to be, and more dressed in business." Yes, the boys were getting prouder! And why not? The ordinance of February 27, 1834, appointing a thirty-dollar-a-month superintendent of the Broad Street Railroad required "that every car or other vehicle which shall pass on said railroad shall be drawn by animal power (at a rate not exceeding four miles an hour), and shall not be drawn or propelled by steam under a penalty of ten dollars for each offense." In another ordinance in 1838 the animal power "rate of speed" was reduced to "a walk" and the penalty for using steam was raised to fifty dollars; but the height of conservatism was reached in 1842, when, in providing for toll on the Broad, High, Third and Dock streets railroads, it was required that "every car traveling on said railroad shall be provided with a suitable brake."

"A SPECIMEN BRICK" OF "YE OLDEN TIMES."

But to better acquaint ourselves with some of the prevailing conditions, let us listen to the Commissioners of the Borough of Aramingo as, on August 30, 1853, they deliberated upon an effort of the Borough of Frankford to lay gas pipes through their jurisdiction:

"*Resolved*, That the threat thrown out by some of the sapient councilmen of Frankford, viz., to have our Borough annexed to their indebted concern, is decidedly rich. That which the District of Richmond, with its vast resources, enterprises and industry, was not able to have annexed to it is to be annexed

by the obscure village of Frankford—what the whale could not swallow the poor little minnow is going to attempt!!

"*Resolved,* That, in our opinion, when our aged neighbor attempts to annex any of our territory, she will find to her cost that Aramingo is no Whitehall."

These were the times when, in the language of our annalist of a half century ago, the Philadelphia boys were getting "prouder" and more "dressed in business." Looking back half a century, back beyond the period of the Civil War, beyond the introduction of the telephone, beyond the trolley, beyond electricity as a light and motive power, beyond the modern fire department, beyond Belgian block and asphalt paving, beyond filtration, beyond the hundreds of new appliances and conveniences that enter into our modern municipal life, it is not surprising that the "boys" were beginning "to spruce up a bit." Indeed, the half century that has passed, in its misfortunes and triumphs, furnishes the strongest argument for pride. It has seen the "proud" Philadelphia boy of 1854 shake off "his swaddling clothes;" it has seen progressive administrations grasp the opportunities which science and human ingenuity have been offering to modern municipal corporations; it has seen the debt at consolidation wiped from the books; it has seen that debt rise to the exigencies of the Civil War, and it has seen it paid by the generations succeeding those who waged the struggle.

SPLENDID HALF-CENTURY SHOWING.

Taking note of the growth of population from 80,513 in 1830 in the old city proper to 1,293,697 in 1900, and the increase in the

number of dwellings from 6,000 at the time of the Revolution to 266,301 in 1902; the half-century has seen the obligations of dying generations assumed by those who followed; it has seen the funded debt increase from $48,818,745.76 in 1872 to $69,643,-668.73 in 1881, and then it has seen it taper off to January 1, 1901, when, notwithstanding the greatest progress of any decade of its history, the funded debt of the city was only $54,919,595.22. It has witnessed the gradual simplification of the fiscal system, the growing confidence of investors, and the reduction of interest from the six per cent. paid when the debt was highest, in 1881, to three and a half per cent. at a premium, paid in 1902. And now it is witnessing also the retirement of the famous "City 6's" from the catalogue of municipal investments forever, and is cognizant that the debt of 1901 had to its credit, and ready for its redemption, city bonds in the Sinking Fund amounting to $9,877,-ing Fund amounting to $9,877,500, in addition to $3,000,000 in 500, in addition to $3,000,000 in cash and stock.

Thus, as the half century from consolidation draws to a close, it can figure down the net indebtedness of the City of Philadelphia to an approximate $45,000,000, including the great filtration loan of $12,000,000, and dividing the indebtedness of 1901, so given, by the population of 1900, it finds that a per capita contribution of $34 would free the City of Philadelphia of encumbrance and leave its property, whether acquired by loan or in the regular course of business, absolutely clear. This, too, in an age when the Government of the United States pays $133,559,039 annually to pensioners of a war which closed before the present municipal debt began, and when a single private corporation with assets of $1,400,000,000 can issue in a lump $50,000,000 of bonds for improvements to its plant, and when corporations of a special nature with $100,000,000 capital excite but passing comment.

THE CITY'S WONDERFUL PLANT.

The city has established a wonderful plant. For two centuries it has been building, enlarging and—laying in stock. Each year it has paid its current bills and added to its nest-egg. Each thirty years, or oftener, it has burned its mortgages and cleared a part of its estate. Heavily taxed in resources to keep pace with the progress of modern science and ingenuity, it has never once in twenty years raised its rate of taxes on the people. In every emergency it has resorted to the loan, and through the loan the growth of its assets and securities has actually been forced. The scattered and quarrelsome districts of fifty years ago have been welded together in physical as well as civic reality; common highways, railways, bridges, sewers and wharves have been provided; the river fronts have been opened and the overhanging wooden structures of Stephen Girard's day have been removed. Gas and electric light, the Welsbach and acetylene, have taken the place of whale oil and the tallow candle; the telephone and the telegraph have superseded the mail-coach and the messenger; the log cabin and the English brick colonial dwelling have yielded to the sky-scrapers and to the statue of William Penn that towers above the structures of the world. Philadelphia has developed; she has had to develop, and the best of her development has been due to the push and aggressiveness of recent municipal administrations. The time had come to drive the business forward, and through the loan system the money was forthcoming, the improvements were secured and the standard of living was raised.

TROLLEYS SAVED $12,000,000.

Among the business features of recent years were the introduction of the trolley, which has brought the city the best trans-

portation facilities it ever had, together with $12,000,000 of improved paving paid for by the companies; the leasing of the Gas Works, relieving the city of all expense for maintenance and improvements, supplying free public gas, yielding rental and providing consumers with improved gas at $1 per thousand feet, and the construction and installation of filtration, assuring an improved and copious water supply from a plant, the extent of which, in area, is half as great (738 acres) as the whole of the old city proper. Moreover, since 1892, all current moneys of the City and all loan balances unexpended have been made to yield a revenue of two per cent. for general municipal uses.

In all these municipal achievements, the tax rate never varying, the handmaiden of the business has been the system of loans. Point to any great development since the time of spits and cordwood, and the loan is in evidence as prop and supporter. The great Centennial was aided by loan, and Memorial and Horticultural Halls are to be added to the State House as monuments to its credit, in addition to our more recent but no less important acquisition, the Philadelphia Commercial Museums.

ENORMOUS REAL ESTATE HOLDINGS.

Returning again to cold, prosaic figures, what has the city laid by in all these years? Bonds, stocks; fire, police, educational, charitable and corrective equipment; personal property, boats, machinery, works, bridges, assets tangible and intangible, too manifold to mention. In real estate the assessed valuation in 1901 was $62,313,294. The debt then was eight millions less. And of what does this real estate consist? First of all, the City Hall, the greatest structure of its kind in the world, costing $24,000,000 and conveniently rated in the total assessment at one-half. Here is an asset of the city's business pledged with other property for the redemption of the debt. Not one dollar

of its cost was raised by loan. To concentrate its business, save the expense and inconvenience of detached quarters, the city "stinted itself" and paid for this building out of the taxes. From this great central plant the city now looks out upon its vast possessions, encircled by the boundaries of forty-two wards and covering an area of 129½ square miles. Dotting every section are its schools, valued at $9,925,600. To them the badge of poverty no longer attaches. In them rests the hope of the nation. With the development of the public schools has come the development of the typical manhood and womanhood of our city. Year by year the school system has grown. The demand for new schools has exceeded the power of Councils to appropriate out of current revenues, and time and again the loan has been resorted to. It has not been waste or reckless financiering, but a business response to a fair demand—a debt for which there is valuable equivalent in property and in good citizenship, both of which may honorably be charged to the future.

ASSESSED VALUATIONS LOW.

In the long inventory of property standing to the city's credit there is much that challenges comparison with other days. Where the city contributed in an unsatisfactory way to volunteer fire companies then, to-day it possesses a most efficient paid service and owns fire and engine-houses assessed at $735,900. In police stations the values are assessed at $925,600; in markets, $162,000; in vacant lots for school, fire or police purposes, $623,850; in dwelling-houses, $353,000; in armories and bath-houses, both modern institutions, $112,000; in wharves, $953,000. Other real estate values, as assessed, include gas works, $3,458,800; water works, $2,455,000; Municipal Hospital, $505,000; Philadelphia Hospital and poor property, $1,501,000; prisons and House of Correction, etc., $1,750,000.

These assessments, in the light of actual valuations of private property round about, are extremely low. Nor do they take into account any of the multi-millions in college property, real estate, franchises, coal lands and cash held by the city in trust under the wills of Stephen Girard, Benjamin Franklin, James Wills, Elias Boudinot and others.

FAIRMOUNT PARK COULD PAY THE DEBT.

The value of our great Fairmount Park was officially assessed in 1901 at $17,540,000. Once the home of aristocracy, but now the pleasure-ground of the people, its 3,385 acres would be sufficient alone, if sold to-day for residence sites, to liquidate the entire city debt. The growth of this park, greater now in area than the old city proper (which contained but 1,456 acres) and many of the "Liberties" combined, did not actually begin until, through the misfortunes of Robert Morris and the Bank of the United States, the city, in 1844, was obliged to borrow money to take possession of Lemon Hill, and then only for the purpose of preventing pollution of the Schuylkill water supply. So wide and comprehensive a scheme as the present park was beyond the dreams of Philadelphians of fifty years ago. In founding the city William Penn dedicated to city use what are now known as Penn, Washington, Franklin, Rittenhouse and Logan Squares. Some of them in days gone by were burial-places for the pauper dead. They were the homes of the rag-weed, the dumping-places of the city's scum. In 1820, even the present Rittenhouse Square was officially designated by ordinance as a place for the cultivation of "grain and grass seed," "potatoes and other vegetables." More than sixty squares and parks, varying in size to sixty-three acres, including Independence Square, Bartram's Garden, with its botanical riches, and Penn Treaty, with its famous elm monument, have since been

added to the city's store. Some of these were the gifts of public-spirited men, and primarily cost the city nothing; others were taken because of their patriotic memories; some to prevent encroachment, and a few to remove the earmarks of poverty and crime. Their appraised value in the aggregate is $7,690,700. They are breathing-spaces set apart for the free use of the people, and in twenty-five wards of the city they afford resting-places for adults and playgrounds for children. Invaluable for commercial purposes, they have been saved for future generations and to-day stand improved, paved, lighted and ornamented by the skill of the florist, the forester and the caretaker, a credit chiefly to the progress, the forethought and the humanity of the present generation. In the main, these garden-spots have been acquired by loan.

POSTERITY'S DUES AND RESPONSIBILITIES.

With this we close the chapter. Brought from the crucible of a century's experience, it must be conceded the loan system has well stood the test of the varying and various moods of the business and has wrought for progress and improvement.

If we would not turn back to the days of the flintlock and the broad-brim; if we would hold to the spirit of advancement which is now enriching the world, we must yield to the loan its place of honor in our municipal history. If for the moment it prove a burden, it is fair to those who bore it before that we accept it and guard and control it for those who follow. Posterity will reap from our achievements, and we must go on.

EXHIBIT A.

INTEREST PAYMENTS ON FUNDED DEBT FOR THIRTY YEARS.

SHOWN IN DECADES.

FIRST TEN YEARS.

YEAR.	AMOUNT.	MAYOR.
1872	$3,155,106 64	Wm. S. Stokley.
1873	3,333,012 68	
1874	3,542,121 44	
1875	3,622,986 18	
1876	3,632,675 02	
1877	3,657,560 58	
1878	3,648,154 93	
1879	3,654,700 92	
1880	3,982,659 85	
1881	3,931,566 22	Samuel G. King.
Total	$36,160,544 46	

SECOND TEN YEARS.

YEAR.	AMOUNT.	MAYOR.
1882	$3,886,063 72	Samuel G. King.
1883	3,838,805 92	
1884	3,712,982 12	William B. Smith.
1885	3,599,227 81	
1886	3,462,603 85	
1887	3,360,557 15	Edwin H. Fitler.
1888	3,341,345 55	
1889	3,246,306 45	
1890	3,167,199 60	
1891	3,180,594 20	Edwin S. Stuart.
Total	$34,795,686 37	

THIRD TEN YEARS.

YEAR.	AMOUNT.	MAYOR.
1892	$3,011,923 66	Edwin S. Stuart.
1893	3,012,702 49	
1894	2,895,453 59	
1895	2,704,692 60	Charles F. Warwick.
1896	2,552,857 56	
1897	2,675,644 22	
1898	2,609,641 36	
1899	2,333,895 35	Samuel H. Ashbridge.
1900	2,308,980 75	
1901	2,245,069 07	
Total	$26,350,860 65	

RECAPITULATION.

From 1872 to 1881	$36,160,544 46
From 1882 to 1891	34,795,686 37
From 1892 to 1901	26,350,860 65

NOTES.

In 1872 the rate of interest paid on loans was six per cent. There were no public earnings on loan deposits.

In 1901 the rate of interest paid was mostly three and three and one-half per cent. Loans and other City moneys unexpended earn two per cent. interest, the increment on this account for the year being: City Fund, $291,695.57; Sinking Fund, $28,098.80; total, $319,794.37.

EXHIBIT B.

TAX RATES SINCE CONSOLIDATION.

1854	$1 50	1879	2 05
1855	1 50	1880	2 00
1856	1 90	1881	1 95
1857	2 00	1882	1 90
1858	1 85	1883	1 85
1859	1 75	1884	1 85
1860	....	1885	1 85
1861	2 00	1886	1 85
1862	2 00	1887	1 85
1863	2 00	1888	1 85
1864	....	1889	1 85
1865	2 50	1890	1 85
1866	4 00	1891	1 85
1867	4 00	1892	1 85
1868	1 40	1893	1 85
1869	1 80	1894	1 85
1870	....	1895	1 85
1871	....	1896	1 85
1872	2 00	1897	1 85
1873	2 05	1898	1 85
1874	2 10	1899	1 85
1875	1 90	1900	1 85
1876	2 05	1901	1 85
1877	2 25	1902	1 85
1878	2 15		

NOTES.

Ordinance approved December 12th, 1865.

"To levy and fix the rate of taxes for the year 1866, required levy on the taxable property of four dollars on the hundred dollars on the assessed value thereof, and upon every taxable inhabitant of the city the sum of twenty-five cents."

"Item 4. For the payment of the interest on the funded debt, and for the Sinking Fund, the sum of one dollar and fifty-four cents."

Ordinance approved July 27th, 1901.

"To levy and fix the tax rate for the year 1902 required a tax of one dollar and eighty-five cents on the hundred."

"Item 4. For the payment of interest on the funded debt and for Sinking Funds, the sum of seventy-one (7) cents."

EXHIBIT C.

TAX RATES BY ITEMS.

Showing comparatively how taxes were raised and distributed for 1866 and 1902:

	1866.	1902.
Relief of the Poor	$0 17	$0 07
Schools	58	22
Lighting city	28	04
Interest and Sinking Fund	1 54	71
Highways	20	08
Water	21	09
Police	37	20
Care of city property	06	03
Fire Department	07	07
Prison	07	02
City Commissioners	11	09
Street cleaning	07	*
Health	*	02
Remaining expenses of the city	27	21
Total annual tax rate	a $4 00	$1 85

* Provided for in other items.

a In addition 25 cents was required of each taxable citizen.

NOTE.

The above figures are commended to thoughtful Philadelphians. When citizens were taxed more than twice the existing rate (1902), public conveniences were not to be compared with those of the present time. Gas and oil lamps, cobble stone pavements, horse cars and mule trains were still in vogue. Electricity, asphalt, trolleys, etc., etc., were unknown.